

**PAINT BRUSH HILLS
METROPOLITAN DISTRICT
El Paso County, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2024**

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	I
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	6
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Conservation Trust Fund	7
Statement of Net Position – Water and Wastewater Fund	8
Statement of Revenues, Expenses and Changes in Net Position – Water and Wastewater Fund	9
Statement of Cash Flows – Water and Wastewater Fund	10
Notes to Financial Statements	11
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Subdistrict A Debt Service Fund	26
Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis) – Water and Wastewater Fund	27
Reconciliation of the Budgetary Basis to Statement of Revenues, Expenses and Changes in Net Position - Water and Wastewater Fund	29
OTHER INFORMATION	
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	30

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Paint Brush Hills Metropolitan District
Colorado Springs, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Paint Brush Hills Metropolitan District, (the District) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplemental Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules on pages 26 through 29 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

The other information included on page 30 is the responsibility of management. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Stockman Kast Ryan & Co., LLP

June 19, 2025

BASIC FINANCIAL STATEMENTS

PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents-unrestricted	\$ 826,433	\$ 2,286,763	\$ 3,113,196
Cash and cash equivalents-restricted	14,735	-	14,735
Accounts receivable	5,043	93,718	98,761
Due from County Treasurer	12,319	-	12,319
Prepaid expenses	50,909	26,229	77,138
Inventory	-	67,200	67,200
Settlement proceeds- restricted	-	160,426	160,426
Property taxes receivable	1,699,653	-	1,699,653
Capital assets not being depreciated/amortized	12,031	1,268,856	1,280,887
Capital assets being depreciated/amortized, net of accumulated depreciation/amortization	1,198,863	26,885,518	28,084,381
Total assets	3,819,986	30,788,710	34,608,696
LIABILITIES			
Accounts payable	7,701	36,759	44,460
Deposits:			
Developer retaining deposit	150,000	768,396	918,396
Water accounts	-	65,500	65,500
Unearned meter deposits	-	22,550	22,550
Hydrant meters	-	4,000	4,000
Wages, payroll taxes and benefits payable	8,729	3,649	12,378
Compensated absences	24,501	11,058	35,559
Settlement payable to customers	-	160,426	160,426
Interest payable	36,292	5,430	41,722
Long-term obligations:			
Due within one year	-	233,438	233,438
Due in more than one year	8,375,000	1,733,949	10,108,949
Total liabilities	8,602,223	3,045,155	11,647,378
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	1,699,653	-	1,699,653
Total deferred inflows of resources	1,699,653	-	1,699,653
NET POSITION			
Net investment in capital assets	(7,164,106)	26,186,987	19,022,881
Restricted for:			
Emergencies	29,170	-	29,170
Parks and recreation	1,004	-	1,004
Debt service	19,766	-	19,766
Unrestricted	632,276	1,556,568	2,188,844
Total net position (deficit)	(6,481,890)	27,743,555	21,261,665

These financial statements should be read only in connection with the
accompanying notes to financial statements.

PAINT BRUSH HILLS METROPOLITAN DISTRICT STATEMENT OF ACTIVITIES
STATEMENT OF ACTIVITIES
Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues Operating			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government activities:							
General government	\$ 872,187	\$ -	\$ -	\$ -	\$ (872,187)	\$ -	\$ (872,187)
Parks and recreation	32,783	-	-	21,507	(11,276)	-	(11,276)
Stormwater	15,695	-	-	-	(15,695)	-	(15,695)
Debt	454,425	-	-	-	(454,425)	-	(454,425)
	<u>1,375,090</u>	<u>-</u>	<u>-</u>	<u>21,507</u>	<u>(1,353,583)</u>	<u>-</u>	<u>(1,353,583)</u>
Business-type activities:							
Water and sewer operations	1,667,900	1,533,458	3,708	1,995,561	-	1,864,827	1,864,827
	<u>1,667,900</u>	<u>1,533,458</u>	<u>3,708</u>	<u>1,995,561</u>	<u>-</u>	<u>1,864,827</u>	<u>1,864,827</u>
Total	\$ 3,042,990	\$ 1,533,458	\$ 3,708	\$ 2,017,068	(1,353,583)	1,864,827	511,244
General revenues:							
Taxes:							
Property taxes							
					1,642,866	-	1,642,866
Specific ownership taxes							
					150,583	-	150,583
Net investment earnings							
					74,424	60,761	135,185
Sale of asset							
					17,850	10,870	28,720
Miscellaneous							
					5,158	-	5,158
Insurance reimbursement							
					-	206,799	206,799
Total general revenue and transfers							
					<u>1,890,881</u>	<u>278,430</u>	<u>2,169,311</u>
Change in net position							
					537,298	2,143,257	2,680,555
Net position (deficit) - Beginning of year							
					(7,019,188)	25,600,298	18,581,110
Net position (deficit) - End of year							
					<u>\$ (6,481,890)</u>	<u>\$ 27,743,555</u>	<u>\$ 21,261,665</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2024**

	<u>General Fund</u>	<u>Conservation Trust Fund</u>	<u>Subdistrict A Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalent-unrestricted	\$ 826,433	\$ -	\$ -	\$ 826,433
Cash and cash equivalent-restricted	-	1,004	13,731	14,735
Accounts receivable	5,043	-	-	5,043
Due from County Treasurer	6,284	-	6,035	12,319
Prepaid expense	50,909	-	-	50,909
Property tax receivable	913,078	-	786,575	1,699,653
TOTAL ASSETS	<u>1,801,747</u>	<u>1,004</u>	<u>806,341</u>	<u>2,609,092</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	7,701	-	-	7,701
Wages, payroll taxes and benefits payable	33,230	-	-	33,230
Developer retaining deposit	150,000	-	-	150,000
Total liabilities	<u>190,931</u>	<u>-</u>	<u>-</u>	<u>190,931</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenues	913,078	-	786,575	1,699,653
Total Deferred Inflows of Resources	<u>913,078</u>	<u>-</u>	<u>786,575</u>	<u>1,699,653</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	50,909	-	-	50,909
Spendable:				
Restricted for:				
Emergencies	29,170	-	-	29,170
Parks and recreation	-	1,004	-	1,004
Debt service	-	-	19,766	19,766
Unassigned	617,659	-	-	617,659
Total Fund Balances	<u>697,738</u>	<u>1,004</u>	<u>19,766</u>	<u>718,508</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,801,747</u>	<u>\$ 1,004</u>	<u>\$ 806,341</u>	

Amounts reported for government activities in the Statement of Net Position are different because:
Some assets used in government activities are not financial resources and, therefore, are not reported in the
Balance Sheet- Government Funds.

Capital assets, net of accumulated depreciation 1,210,894

Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period
and, therefore, are not included in the fund financial statements but are included in the governmental activities
of the Statement of Net Position.

Accrued interest payable (36,292)
Bonds payable (8,375,000)

Net position (deficit) of governmental activities \$ (6,481,890)

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2024**

	<u>General Fund</u>	<u>Conservation Trust Fund</u>	<u>Subdistrict A Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 857,414	\$ -	\$ 785,452	\$ 1,642,866
Specific ownership taxes	76,816	-	73,767	150,583
Conservation Trust Fund	-	21,507	-	21,507
Net investment income	57,523	17	16,884	74,424
Proceeds from sale of capital asset	17,850	-	-	17,850
Miscellaneous	5,158	-	-	5,158
Total revenue	<u>1,014,761</u>	<u>21,524</u>	<u>876,103</u>	<u>1,912,388</u>
EXPENDITURES				
Current:				
Audit	37,770	-	-	37,770
Director's fees	6,100	-	-	6,100
Employee wages	363,815	-	-	363,815
Contract Staffing	8,835	-	-	8,835
Payroll taxes	28,244	-	-	28,244
457b plan contributions	13,512	-	-	13,512
Payroll processing	3,518	-	-	3,518
Health insurance	62,371	-	-	62,371
Employee reimbursement and training	8,296	-	-	8,296
Insurance	49,013	-	-	49,013
Legal	30,881	-	-	30,881
Miscellaneous	5,977	-	949	6,926
Dues/subscriptions/conferences	8,914	-	-	8,914
Office utilities	19,335	-	-	19,335
Office technology/equipment/support	15,308	-	-	15,308
Office supplies	5,573	-	-	5,573
Accounting	5,431	-	-	5,431
Vehicle Cost	6,656	-	-	6,656
Building maintenance	10,610	-	-	10,610
Treasurer's fees	12,867	-	11,786	24,653
Parks and property grounds maintenance	53,676	-	-	53,676
Parks maintenance and repairs	3,951	-	-	3,951
Bond payment	-	-	853,144	853,144
District software and technology	4,760	-	-	4,760
Capital outlay:				
Vehicles and equipment	85,542	-	-	85,542
Total expenditures	<u>850,955</u>	<u>-</u>	<u>865,879</u>	<u>1,716,834</u>
Excess Revenue Over Expenditures	<u>163,806</u>	<u>21,524</u>	<u>10,224</u>	<u>195,554</u>
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	-	(21,918)	-	(21,918)
Transfer from Conservation Trust Fund	21,918	-	-	21,918
Total Other Financing Sources (Uses)	<u>21,918</u>	<u>(21,918)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>185,724</u>	<u>(394)</u>	<u>10,224</u>	<u>195,554</u>
FUND BALANCES - BEGINNING OF YEAR	512,014	1,398	9,542	522,954
FUND BALANCES - END OF YEAR	<u>\$ 697,738</u>	<u>\$ 1,004</u>	<u>\$ 19,766</u>	<u>\$ 718,508</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2024**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	\$	195,554
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital Outlay		85,542
Disposal of capital assets		(51,900)
Depreciation		(90,618)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal paid		397,000
Accrued interest		1,720
Change in net position (deficit) - Governmental activities	\$	537,298

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2024**

	<u>Adopted Budget Original & Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Property taxes	\$ 818,191	\$ 857,414	\$ 39,223
Specific ownership taxes	86,317	76,816	(9,501)
Net investment income	34,776	57,523	22,747
Proceeds from sale of capital asset	-	17,850	17,850
Miscellaneous & grants	33,062	5,158	(27,904)
Total Revenue	<u>972,346</u>	<u>1,014,761</u>	<u>42,415</u>
EXPENDITURES			
Employee wages	355,920	363,815	(7,895)
Payroll taxes	26,392	28,244	(1,852)
457b plan contributions	14,117	13,512	605
Health insurance	63,913	62,371	1,542
Contract staffing	8,899	8,835	64
Legal	72,000	30,881	41,119
Accounting	18,000	5,431	12,569
Engineering	5,300	-	5,300
Director's fees	9,000	6,100	2,900
Audit	25,000	37,770	(12,770)
Payroll processing	3,635	3,518	117
Office supplies and equipment	6,065	5,573	492
Computers and technology	20,915	15,308	5,607
Administration building utilities	11,459	19,335	(7,876)
Telephone	2,988	-	2,988
Employee training and reimbursement	15,000	8,296	6,704
Dues/subscriptions/conferences	18,147	8,914	9,233
Administration building maintenance and repairs	11,591	9,079	2,512
Security (cameras)	1,529	1,531	(2)
Insurance	49,755	49,013	742
Treasurer's fees	12,273	12,867	(594)
Bank charges	164	59	105
Miscellaneous	5,666	5,784	(118)
Freight	120	134	(14)
Contingency	29,170	-	29,170
District software and technology	-	4,760	(4,760)
Parks and Grounds			
Vehicle expense	8,558	6,656	1,902
Supplies, tools, and safety equipment	3,556	3,951	(395)
Parks, landscaping, and rec facility expense	42,496	53,676	(11,180)
Storm water facilities maintenance	3,000	-	3,000
Capital outlay:			-
Buildings (administrative building)	40,000	-	40,000
Vehicles and equipment	87,664	85,542	2,122
Total Expenditures	<u>972,292</u>	<u>850,955</u>	<u>121,337</u>
Excess Revenue Over Expenditures	<u>54</u>	<u>163,806</u>	<u>163,752</u>
OTHER FINANCING SOURCES			
Transfer from Conservation Trust Fund	<u>22,062</u>	<u>21,918</u>	<u>144</u>
Net Change in Fund Balance	<u>22,116</u>	<u>185,724</u>	<u>163,896</u>
FUND BALANCE - BEGINNING OF YEAR	429,563	512,014	82,451
FUND BALANCE - END OF YEAR	<u>\$ 451,679</u>	<u>\$ 697,738</u>	<u>\$ 246,347</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CONSERVATION TRUST FUND
Year Ended December 31, 2024**

	<u>Adopted Budget Original & Final</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Revenues			
Conservation Trust Fund	\$ 22,046	\$ 21,507	\$ (539)
Net investment income	16	17	1
Total Revenues	<u>22,062</u>	<u>21,524</u>	<u>(538)</u>
Expenditures			
Capital outlay:			
Conservation Trust Expenditure	<u>22,062</u>	<u>-</u>	<u>22,062</u>
Total Expenditures	<u>22,062</u>	<u>-</u>	<u>22,062</u>
Excess Revenue Over Expenditures	<u>-</u>	<u>21,524</u>	<u>21,524</u>
OTHER FINANCING USES			
Transfer to General Fund	<u>-</u>	<u>(21,918)</u>	<u>(21,918)</u>
Net Change in Fund Balance	<u>-</u>	<u>(394)</u>	<u>(394)</u>
Fund Balance - Beginning of Year	1,000	1,398	398
Fund Balance - End of Year	<u>\$ 1,000</u>	<u>\$ 1,004</u>	<u>\$ 4</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
WATER AND WASTEWATER FUND
December 31, 2024**

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$	2,286,763
Settlement proceeds- restricted		160,426
Accounts receivable		93,718
Prepaid expenses		26,229
Inventory		67,200
Total current assets		2,634,336

CAPITAL ASSETS

Capital assets not being depreciated/amortized:

Land		669,455
Water rights - inexhaustible		301,764
Construction in progress		297,637
Total capital assets not being depreciated/amortized		1,268,856

Capital assets being depreciated/amortized:

Plant		17,770,315
Building		1,450,750
Water and sewer lines		12,243,942
Vehicles		253,007
Office equipment		6,380
Other		70,919
Water rights		4,287,600
		36,082,913
Less accumulated depreciation and amortization		(9,197,395)
Capital assets being depreciated/amortized, net		26,885,518
Total capital assets, net		28,154,374

TOTAL ASSETS

\$ 30,788,710

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$	36,759
Deposits:		
Developer retaining deposit		768,396
Water accounts		65,500
Hydrant meters/ deposit		4,000
Unearned meter deposits		22,550
Wages, payroll taxes and benefits payable		14,707
Settlement payable to customers		160,426
Interest payable on debt		5,430
Current portion of debt		233,438
Total current liabilities		1,311,206

NONCURRENT LIABILITIES

Noncurrent portion of debt		1,733,949
Total noncurrent liabilities		1,733,949

NET POSITION

Net investment in capital assets		26,186,987
Unrestricted		1,556,568
Total net position		27,743,555

TOTAL LIABILITIES AND NET POSITION

\$ 30,788,710

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
WATER AND WASTEWATER FUND
Year Ended December 31, 2024**

OPERATING REVENUES

Water base fees	\$	465,604
Water service fees		854,135
Wastewater service fees		93,158
Other fees		76,199
Other revenues		44,362
Total operating revenue		<u>1,533,458</u>

OPERATING EXPENSES

Operations		805,837
Depreciation/amortization		796,344
Total operating expenses		<u>1,602,181</u>

Net Loss From Operations (68,723)

NONOPERATING REVENUES (EXPENSES)

Net investment income		60,761
Gain on sale of assets		10,870
Insurance reimbursement		206,799
Grant revenue		3,708
Interest on debt		(65,719)
Total nonoperating revenues (expenses)		<u>216,419</u>

CAPITAL CONTRIBUTIONS

Tap fees		1,795,893
Developer contributions-well rehabilitation		199,668
Total capital contributions		<u>1,995,561</u>

Change in Net Position 2,143,257

Net Position - Beginning of Year 25,600,298

Net Position - End of Year \$ 27,743,555

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
WATER AND WASTEWATER FUND
Year Ended December 31, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$	1,502,408
Payments to vendors		(771,857)
Payments to employees		(211,313)
Net cash provided by operating activities		519,238

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Capital asset purchases		(968,021)
Tap fees received		1,795,893
Proceeds from sale of asset		10,670
Disposal of asset		26,500
Insurance reimbursement		206,799
Developer contributions		199,668
Developer contributions- unearned		(199,668)
Settlement proceeds - paid to customers		(178,273)
Principal paid on capital leases		(225,081)
Interest paid on capital leases		(65,519)
Net cash provided by capital financing activities		602,968

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Grants received		3,708
Net cash provided by non-capital financing activities		3,708

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		60,761
Net cash provided by investing activities		60,761

NET INCREASE IN CASH AND CASH EQUIVALENTS

1,186,675

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

1,260,514

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,447,189

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO THE STATEMENT OF NET POSITION**

Cash and cash equivalents- unrestricted	2,286,763
Settlement proceeds- restricted	160,426
Total cash and cash equivalents	\$ 2,447,189

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Net loss from operations	\$ (68,723)
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation/amortization	796,344
Effects of changes in operating assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable	(47,835)
Prepaid expenses	(529)
Inventory	(11,505)
Accounts payable	(192,236)
Wages and payroll taxes payable	3,926
Other deposits	39,796
Net cash provided by operating activities	\$ 519,238

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Paint Brush Hills Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado. The District was organized by a recorded order and decree of the District Court of the County of El Paso in 1987. The District operates under a service plan approved by the El Paso County Board of County Commissioners, as amended. The District currently provides water, wastewater, and parks services and facilities, to residents within the District's boundaries.

The District was established to coordinate the acquisition and financing of public improvements within and outside the District's boundaries. After construction of the public improvements was completed, many assets were transferred to El Paso County for ownership and operations, and maintenance. The District has retained its responsibility for providing water and wastewater service and maintaining parks services for and to the residents of the District.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

In 2015, the District adopted a resolution to create the Paint Brush Hills Metropolitan District Subdistrict A (Subdistrict A). The Subdistrict A was formed to provide certain services, programs and facilities to be furnished within the area of the Subdistrict A, and to provide for the fair and equitable taxation within said area. Any debt incurred by the Subdistrict A shall be treated separately and distinct from the debt of the District, which is limited and not to exceed \$9,000,000. The Subdistrict A is limited to a maximum debt service mill levy of 40.000 mills. Upon the discharge of any and all debt issued by or on behalf of the Subdistrict A, the District's Board of Directors shall have the option to dissolve the Subdistrict A. The District Board of Directors shall constitute ex officio the Subdistrict A's Board of Directors, with each director of the Subdistrict A's Board of Directors possessing all rights, privileges and immunities as granted by law to the directors of the District. Due to the relationship of the Subdistrict A to the District, the Subdistrict A has been included in these basic financial statements as a blended component unit.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports all financial and capital resources of the District, with the difference between the assets, liabilities, and deferred inflows of resources of the District being reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation and amortization are computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds, notes and capital leases are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and program generated revenues. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

The *Conservation Trust Fund*, a special revenue fund, is used to account for State of Colorado Lottery proceeds that are restricted for recreational expenditures.

The *Subdistrict A Fund Operations Special Revenue Fund (previously Subdistrict A Special Revenue Fund)*, a special revenue fund, is used to account for the activities of the Paint Brush Hills Metropolitan District Subdistrict A which has been included as a blended component unit.

The *Subdistrict A Fund Debt Service Fund*, a debt service fund, is used to account for the property taxes levied for the future payment of debt which is anticipated to be issued by the Paint Brush Hills Metropolitan District Subdistrict A which has been included as a blended component unit.

The District reports the following major proprietary fund:

The *Water and Wastewater Fund* is used to account for the activities of providing water and sewer services to the residents within the District's boundaries.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. Overall, the District was under budget for expenditures. However, the expenditures exceed the budget by \$6,938 in the Subdistrict A Debt Service Fund, this was due to the District making an additional principal payment. This may be a violation of State statutes.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

periodically to the participating funds based upon each fund's average equity balance in the total cash.

Receivables

Receivables are reported net of an allowance for uncollectible accounts, if applicable.

Prepaid Expenditures/Expenses

Certain payments to vendors for goods or services reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue and reported as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents. All of the cash and investments held by the District qualify as cash and cash equivalents, and are therefore reported as cash and cash equivalents in financial statements.

Capital Assets

Capital assets, which include land, property, plant, equipment, vehicles and water rights, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements or the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and a useful life exceeding one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation or amortization expense has been computed using the straight-line method over the following estimated economic useful lives:

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

Parks and recreation – parks, facilities and improvements	10-20 years
Storm sewer facilities	50 years
Plant	5-40 years
Buildings	40 years
Water and sewer lines	50 years
Vehicles	4-10 years
Office equipment	5 years
Other	5 years
Water rights - exhaustible	100 years
Water rights - inexhaustible	Not amortized

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Tap Fees and Contributed Capital Assets

Tap fees are recorded as capital contributions when received. Capital assets, such as water and sewer lines and facilities, contributed to the District are recorded as capital contributions and additions to the systems at estimated fair value when received.

Compensated Absences

The District accrues leave for compensated absences as an expense and a liability, based on the District's estimated usage patterns and future payouts in compliance with GASB issued Statement No. 101, Compensated Absences. All employees who terminate their employment will be paid unused vacation hours at their regular rate of pay up to 100% of their earned unused Vacation. Sick leave is not paid out on termination.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, which is property taxes levied for the ensuing year.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Issuance costs are expensed as incurred.

Fund Balances – Governmental Funds

The District’s governmental fund balances may consist of five classifications based on the relative strength of the spending constraints as follows:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance—amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH AND INVESTMENTS

The District’s deposits and investments consist of the following at December 31, 2024:

	<u>Deposits</u>	<u>ColoTrust</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,113,196	\$ -	\$ 3,113,196
Restricted cash and cash equivalents	160,426	14,735	175,161
Total	<u>\$ 3,273,622</u>	<u>\$ 14,735</u>	<u>\$ 3,288,357</u>
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 826,433	\$ 2,286,763	\$ 3,113,196
Restricted cash and cash equivalents	14,735	160,426	175,161
Total	<u>\$ 841,168</u>	<u>\$ 2,447,189</u>	<u>\$ 3,288,357</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102 percent of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2024, the District's cash deposits had a bank balance of \$3,288,357 and a carrying balance of \$3,273,310.

Investments

Credit Risk

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Interest Rate Risk

The District's investment policy states that the maturity of the securities shall be structured to avoid any undue concentration in any sector of the yield curve. No portion of the portfolio shall exceed five years in maturity with consideration for a laddering approach.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

At December 31, 2024, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
COLOTRUST	Weighted average under 60 days	\$ <u>14,735</u>

COLOTRUST

At December 31, 2024, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper. Both the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAM by Standard and Poor's. It is the goal of the Trust to maintain value of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the value will not vary from \$1.00 per share.

Investment Valuation

The value of the District's investment in COLOTRUST is calculated using the net asset value (NAV) per share. COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance.

Restricted Cash and Investments

At December 31, 2024, the District reports cash and investments in the amount of \$1,004 in the Conservation Trust Fund and \$13,731 Subdistrict A Debt Service Fund as restricted. The amounts are restricted for parks and recreation and debt service, respectively.

At December 31, 2024, the District reports cash in the amount of \$160,426 in the Enterprise Fund as restricted. The amount is restricted for customers within the District as part of the settlement with Woodmen Hills Metropolitan District in 2022.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in the governmental activities capital assets for the year ended December 31, 2024 as follows:

	<u>Balance at December 31, 2023</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance December 31, 2024</u>
Governmental activities					
Capital assets, not being depreciated:					
Water rights	\$ 12,031	\$ -	\$ -	\$ -	\$ 12,031
Total capital assets, not being depreciated	<u>12,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,031</u>
Capital assets, being depreciated:					
Parks and recreation - parks, facilities and improvements	619,995	-	-	-	619,995
Storm sewer facilities	784,773	-	-	-	784,773
Building	120,425	-	-	-	120,425
Vehicles and equipment	<u>150,452</u>	<u>85,542</u>	<u>-</u>	<u>(77,039)</u>	<u>158,955</u>
Total capital assets, being depreciated	<u>1,675,645</u>	<u>85,542</u>	<u>-</u>	<u>(77,039)</u>	<u>1,684,148</u>
Less accumulated depreciation for:					
Parks and recreation - parks, facilities and improvements	(277,137)	(32,783)	-	-	(309,920)
Storm sewer facilities	(82,401)	(15,695)	-	-	(98,096)
Building	(3,512)	(6,021)	-	-	(9,533)
Vehicles and equipment	<u>(56,756)</u>	<u>(36,119)</u>	<u>-</u>	<u>25,139</u>	<u>(67,736)</u>
Total accumulated depreciation	<u>(419,806)</u>	<u>(90,618)</u>	<u>-</u>	<u>25,139</u>	<u>(485,285)</u>
Total capital assets, being depreciated, net	<u>1,255,839</u>	<u>(5,076)</u>	<u>-</u>	<u>(51,900)</u>	<u>1,198,863</u>
Government capital assets, net	<u>\$ 1,267,870</u>	<u>\$ (5,076)</u>	<u>\$ -</u>	<u>\$ (51,900)</u>	<u>\$ 1,210,894</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

An analysis of the changes in the business-type activities capital assets for the year ended December 31, 2024 are as follows:

An analysis of the changes in the business-type activities capital assets for the year ended December 31, 2024 follows:

	Balance at December 31, 2023	Additions	Transfers	Deletions	Balance December 31, 2024
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 669,455	\$ -	\$ -	\$ -	\$ 669,455
Water rights - inexhaustible	252,258	49,506	-	-	301,764
Construction in progress	4,284,947	210,541	(4,197,851)	-	297,637
Total capital assets, not being depreciated	<u>5,206,660</u>	<u>260,047</u>	<u>(4,197,851)</u>	<u>-</u>	<u>1,268,856</u>
Capital assets, being depreciated/ amortized:					
Plant	12,926,793	645,671	4,197,851	-	17,770,315
Buildings	1,450,750	-	-	-	1,450,750
Water and sewer lines	12,243,942	-	-	-	12,243,942
Vehicles	231,374	48,133	-	(26,500)	253,007
Office equipment	6,380	-	-	-	6,380
Other	56,749	14,170	-	-	70,919
Water rights- exhaustible	4,287,600	-	-	-	4,287,600
Total capital assets, being depreciated/amortized	<u>31,203,588</u>	<u>707,974</u>	<u>4,197,851</u>	<u>(26,500)</u>	<u>36,082,913</u>
Less accumulated depreciation/ amortization for:					
Plant	(5,309,517)	(442,630)	-	-	(5,752,147)
Buildings	(232,158)	(36,269)	-	-	(268,427)
Water and sewer lines	(823,606)	(244,878)	-	-	(1,068,484)
Vehicles	(179,288)	(27,475)	-	20,096	(186,667)
Office equipment	(6,380)	-	-	-	(6,380)
Other	(25,953)	(8,347)	-	-	(34,300)
Water rights - exhaustible	(1,844,245)	(36,745)	-	-	(1,880,990)
Total accumulated depreciation depreciated, net	<u>(8,421,147)</u>	<u>(796,344)</u>	<u>-</u>	<u>20,096</u>	<u>(9,197,395)</u>
Business-type capital assets, net	<u>\$ 27,989,101</u>	<u>\$ 171,677</u>	<u>\$ -</u>	<u>\$ (6,404)</u>	<u>\$ 28,154,374</u>

Depreciation/amortization expense was charged to the following functions/programs:

Governmental activities

Parks and recreation	\$ 32,783
Stormwater	15,695
Building	6,021
Vehicles and equipment	36,119
	<u>\$ 90,618</u>

Business-type activities

Water and sewer operations	<u>\$ 796,344</u>
----------------------------	-------------------

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2024:

	Balance at December 31, 2023	Additions	Reductions	Balance December 31, 2024	Due Within One Year
Governmental activities					
Bonds payable	\$ 8,772,000	\$ -	\$ (397,000)	\$ 8,375,000	\$ -
	<u>\$ 8,772,000</u>	<u>\$ -</u>	<u>\$ (397,000)</u>	<u>\$ 8,375,000</u>	<u>\$ -</u>
	Balance at December 31, 2023	Additions	Reductions	Balance December 31, 2024	Due Within One Year
Business-type activities					
Capital Lease Obligations:					
2022 Lease	2,192,468	-	(225,081)	1,967,387	233,438
	<u>\$ 2,192,468</u>	<u>\$ -</u>	<u>\$ (225,081)</u>	<u>\$ 1,967,387</u>	<u>\$ 233,438</u>

The following are considered to be events of default under the bond agreement:

- (a) Failure by the Subdistrict to take action or cause action to be taken to impose the Limited Mill Levy, to deposit the Pledged Revenue in the Pledged Revenue Account, and to apply the Pledged Revenue as required by the terms of the agreement.
- (b) Breach by the Subdistrict of any material covenant in the bond agreement or failure by the Subdistrict to perform any material duty imposed on it per the bond agreement and continuation of such breach or failure for a period of sixty days after receipt by the Subdistrict of written notice thereof from the Paying Agent or from the Owner.
- (c) The Subdistrict files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the Debt represented by the Bond.

The following are considered remedies for events of default under the bond agreement:

- (a) Upon the occurrence and continuance of an Event of Default, the Owner of the Bond may proceed to protect and enforce its rights under this Resolution by mandamus or such other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction. Without any required action on the part of the Subdistrict or the Owner, if any amount of principal or interest remains due and owing on the Bond on the Maturity Date, such amounts shall continue to bear interest at the Interest Rate compounding annually, to be paid only from the Pledged Revenue.
- (b) The failure of the Owner to proceed in accordance with the bond agreement shall not relieve the Subdistrict of any liability for failure to perform or carry out its duties under the Bond Resolution.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

Series 2020 Limited Tax General Obligation Bonds— In 2020, the District issued \$9,000,000 in limited tax general obligation bonds for the purpose of reimbursing Eagle Development Company for the construction of three water wells within the District’s property and pursuant to an agreement dated February 10, 2017.

The bonds bear interest at 5.2% per annum, payable on June 1 and December 1, commencing on June 1, 2021, and shall mature on December 1, 2040. The bonds are secured and payable from pledged revenue which consists of moneys derived from the required mill levy and a portion of the Specific Ownership Tax.

Annual debt service requirements to maturity for the 2020 general obligation bonds are as follows:

Year Ended December 31,	Principal	Interest	Total
2025	\$ -	\$ 456,144	\$ 456,144
2026	-	456,144	456,144
2027	-	456,144	456,144
2028	-	456,144	456,144
2029	-	456,144	456,144
2030-2034	-	2,280,720	2,280,720
2035-2039	-	2,280,720	2,280,720
2040	8,375,000	-	8,375,000
Total	<u>\$ 8,375,000</u>	<u>\$ 6,842,160</u>	<u>\$ 15,217,160</u>

Farmers State Bank- 2022 Lease

On June 30, 2022, the District entered into the 2022 Lease with Famers State Bank, in the amount of \$2,500,000, to refinance on a current basis, the Prior Leases to finance the acquisition, construction, improvement and equipping of a new Booster Pump House and Station to serve the District and its residents. The 2022 Lease is secured by the base rentals of the District. As of December 31, 2024, the Project had an original cost of \$4,197,851 and depreciation of \$87,455. The 2022 Lease requires monthly payments of \$24,261 beginning on August 1, 2022 through maturity on July 1, 2032, including interest at a rate of 3.10%.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

The future principal lease obligations and net present value of these minimum lease payments as of December 31, 2024, were as follows:

<u>Year Ending</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 233,438	\$ 57,704	\$ 291,142
2026	240,869	50,273	291,142
2027	248,443	42,699	291,142
2028	256,151	34,991	291,142
2029	264,309	26,833	291,142
2030-2032	724,177	30,218	754,395
Total lease payments	<u>\$ 1,967,387</u>	<u>\$ 242,718</u>	<u>\$ 2,210,105</u>

NOTE 6 - FUND EQUITY

At December 31, 2024, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$50,909 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$29,170 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 11).

The restricted fund balance in the Subdistrict A Debt Service Fund in the amount of \$19,766 represent pledged taxes for the 2020 series bonds.

The restricted fund balance in the Conservation Trust Fund in the amount of \$1,004 represents unspent Conservation Trust Fund receipts which are restricted for parks and recreation purposes.

NOTE 7 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2024, the District had investment in net capital assets of \$(7,164,106) for the governmental activities and \$26,186,987 for the business-type activities for a combined net investment in capital assets of \$19,022,881.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed bylaw through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2024 as follows:

Restricted for:	
Emergencies	\$ 29,170
Debt service	19,766
Parks and recreation	1,004
	<u>\$ 49,940</u>

NOTE 8 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, as may be amended from time to time, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2024. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials’ liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property, liability, public officials’ liability, boiler and machinery and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 – WATER AND SEWER TAP CONNECTIONS

The District acquired its water rights in 1987 when it entered into an agreement to issue water and sewer tap connections to the original developer of Falcon Hills in exchange for the developer’s water rights that were valued at \$3,574,200. The unsold connection rights were acquired by a third party in 1999 when they purchased the undeveloped portion of Falcon Hills. The purchaser of the remaining connection rights was a related party to the District until 2009 when the last remaining beneficial owner resigned from the District’s Board of Directors. In 2009, the District entered into an agreement with the subsequent developer to split the sale of future connections, 60% to the developer and 40% to the District. In 2024, 64 single family equivalent tap connections were sold.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 10 – LITIGATION SETTLEMENT

The District entered into arbitration in 2022 with Woodmen Hills Metropolitan District. The District claimed that Woodmen Hills breached the Intergovernmental Agreement for the Provision of Wastewater Services which entitled the District to \$987,226, plus amounts accrued from September 30, 2022, interest and attorney fees and cost pursuant to the Intergovernmental Agreement. The Arbitrator ruled in the District's favor and the District was awarded \$1,304,774.

Under the settlement agreement, the District was required to return the awarded amount to customers within the District. During 2024, \$167,572 was returned to customers through reductions in amounts billed. As of December 31, 2024, the District has recorded a liability of \$160,426 for the remaining amount due.

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SUBDISTRICT A DEBT SERVICE FUND
Year Ended December 31, 2024**

	<u>Adopted Budget Original & Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Property taxes	\$ 785,718	\$ 785,452	\$ (266)
Specific ownership taxes	60,816	73,767	12,951
Net investment income	10,483	16,884	6,401
Total Revenue	<u>857,017</u>	<u>876,103</u>	<u>19,086</u>
EXPENDITURES			
Treasurer's fees	\$ 11,785	\$ 11,786	\$ (1)
Bond interest payment	456,144	456,144	-
Bond principal payment	388,581	397,000	(8,419)
Bank charges	1,931	949	982
Contract staffing	500	-	500
Total Expenditures	<u>858,941</u>	<u>865,879</u>	<u>(6,938)</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>(1,924)</u>	<u>10,224</u>	<u>12,148</u>
NET CHANGE IN FUND BALANCE	<u>(1,924)</u>	<u>10,224</u>	<u>12,148</u>
FUND BALANCE - BEGINNING OF YEAR	<u>8,072</u>	<u>9,542</u>	<u>1,470</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,148</u>	<u>\$ 19,766</u>	<u>\$ 13,618</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER AND WASTEWATER FUND
Year Ended December 31, 2024**

	<u>Adopted Budget Original & Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Water - base fees	\$ 461,520	\$ 465,604	\$ 4,084
Water - tiered fee	705,264	854,135	148,871
Wastewater	92,664	93,158	494
Street lighting	19,416	18,763	(653)
Penalties	20,934	24,866	3,932
Meters & Inspection Fees	13,200	21,700	8,500
Tap, System Development and other Builder fees	1,034,433	1,795,893	761,460
Transfer Fees	13,902	10,870	(3,032)
Grants	750	3,708	2,958
Interest	47,285	60,761	13,476
Miscellaneous Income	8,698	44,362	35,664
Other revenues	21,000	217,669	196,669
Developer contributions-capital	575,000	199,668	(375,332)
Total Revenues	<u>3,014,066</u>	<u>3,811,157</u>	<u>797,091</u>
EXPENDITURES			
Operating:			
Employee wages	263,888	212,450	51,438
Payroll taxes	19,699	16,543	3,156
457b plan contributions	10,558	8,287	2,271
Health insurance	28,853	34,931	(6,078)
Employee compensation	1,500	1,000	500
Legal	9,000	-	9,000
IT support	-	5,043	(5,043)
Computers & technology	15,543	7,994	7,549
Utilities- Office	30,089	3,629	26,460
Bulk water purchases	39,269	39,640	(371)
Utilities- pumphouse	254,054	204,330	49,724
Other employee related expenses	7,660	4,863	2,797
Dues and subscriptions	23,251	13,444	9,807
Billing expense	25,521	23,425	2,096
Security	14,614	8,571	6,043
Insurance	24,877	25,466	(589)
Bank charges	303	199	104
Miscellaneous	2,941	4,856	(1,915)
Vehicle expense	6,300	3,677	2,623
Supplies, tools and safety equipment	2,075	2,560	(485)
SCADA system maintenance	49,956	54,321	(4,365)
Collection system repairs and maintenance	58,800	25,373	33,427
Pumphouse maintenance	3,000	4,381	(1,381)
Well repairs and maintenance	30,300	-	30,300
Locates	1,010	2,940	(1,930)

(Continued)

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER AND WASTEWATER FUND
Year Ended December 31, 2024**

Storage tank repairs and maintenance	31,800	3,150	28,650
Analytical testing/chemical/equipment	36,621	27,979	8,642
Meters-residential repairs and replacement	7,404	11,505	(4,101)
Emergency repairs (roadway and waterline)	33,600	24,781	8,819
Lift station repairs and maintenance	6,819	5,927	892
Hydrant maintenance & repairs	1,000	-	1,000
Freight	815	1,076	(261)
Street light utilities	-	23,496	(23,496)
Capital outlay			
Capital outlay	1,466,945	968,021	498,924
Debt service:			
Principal	226,303	225,081	1,222
Interest	64,839	65,719	(880)
Total Expenditures	<u>2,799,207</u>	<u>2,064,658</u>	<u>734,549</u>
NET CHANGE IN FUNDS AVAILABLE	<u>214,859</u>	<u>1,746,499</u>	<u>1,531,640</u>
FUND AVAILABLE - BEGINNING OF YEAR	(191,487)	(294,684)	(103,197)
FUND AVAILABLE - END OF YEAR	<u>\$ 23,372</u>	<u>\$ 1,451,815</u>	<u>\$ 1,428,443</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGE IN NET POSITION- WATER AND WASTEWATER FUND
Year Ended December 31, 2024**

Net change in funds available	\$	<u>1,746,499</u>
Reconciling Items:		
Expenditures included in statement of revenue, expenses and changes in net position, but not included with expenditures on a budgetary basis:		
Depreciation		(796,344)
Expenditures included under budgetary basis, but not included in statement of revenues, expenses and changes in net position		
Capital outlay		968,021
Debt paid		<u>225,081</u>
Change in net position per statement of revenues, expenses and changes in net position	\$	<u>2,143,257</u>

OTHER INFORMATION

Paint Brush Hills Metropolitan District Summary of Assessed Valuation, Mill Levy and Property Taxes Collected
December 31, 2024

Paint Brush Hills Metropolitan District

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied Operations	Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2016	\$ 16,488,770	22.107	\$ 364,517	\$ 364,957	100.10%
2017	\$ 17,681,870	18.063 (A)	\$ 319,388	\$ 319,384	100.00%
2018	\$ 19,105,130	19.813 (B)	\$ 378,530	\$ 378,530	100.00%
2019	\$ 21,257,170	19.902 (C)	\$ 423,060	\$ 423,050	100.00%
2020	\$ 25,437,650	18.537 (D)	\$ 471,538	\$ 471,548	100.00%
2021	\$ 28,841,770	22.107 (E)	\$ 575,682	\$ 575,634	100.00%
2022	\$ 35,691,130	19.710 (F)	\$ 703,472	\$ 702,560	99.87%
2023	\$ 36,155,520	21.437 (G)	\$ 775,066	\$ 775,054	100.00%
2024	\$ 49,859,310	16.410 (H)	\$ 818,191	\$ 857,414	104.79%
Estimated for year ending December 31, 2025			\$ 913,078		

Paint Brush Hills Metropolitan District Subdistrict A

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied Operations	Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2016	\$ -	0	\$ -	\$ -	N/A
2017	\$ 223,230	40	\$ 8,929	\$ 8,929	100.00%
2018	\$ 953,220	40	\$ 38,129	\$ 38,129	100.00%
2019	\$ 2,581,040	40	\$ 103,242	\$ 103,241	100.00%
2020	\$ 3,945,360	40	\$ 157,814	\$ 157,814	100.00%
2021	\$ 7,453,990	40	\$ 298,160	\$ 298,160	100.00%
2022	\$ 11,271,960	40	\$ 450,878	\$ 449,022	99.59%
2023	\$ 12,294,650	40	\$ 491,786	\$ 491,421	99.93%
2024	\$ 19,642,950	40	\$ 785,718	\$ 785,452	99.97%
Estimated for year ending December 31, 2025			\$ 786,575		

- (A) - Net of temporary mill levy reduction of 4.044 mills.
- (B) - Net of temporary mill levy reduction of 2.294 mills.
- (C) - Net of temporary mill levy reduction of 2.205 mills.
- (D) - Net of temporary mill levy reduction of 3.570 mills.
- (E) - Net of temporary mill levy increase of 3.570 mills.
- (F) - Net of temporary mill levy reduction of 2.397 mills.
- (G) - Net of temporary mill levy increase of 1.727 mills.

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.